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MEMORANDUM FOR: Deputy Director of Central Intelligence

SUBJECT : Proposed Amendment to the CIA Retirement Act

1. This memorandum contains a recommendation for the approval of the Deputy Director of Central Intelligence. Such recommendation is set forth in paragraph 6.

2. The purpose of the amendment is to shorten the time lag between the commencement date of an annuity and the date the annuitant can realize a cost-of-living adjustment.

3. The cost-of-living adjustment provision of the Central Intelligence Agency Retirement Act of 1964 was patterned after provisions of law enacted in 1962 and 1963 for civil service and military retirees. It requires a minimum period of 15 months to elapse before an annuitant is eligible to receive his first cost-of-living adjustment. Further, the minimum 3 per cent rise in price index needed to kick off an adjustment must be computed and sustained on an average calendar year basis with the increase being delayed until 1 April of the succeeding year. A recent change in Administration policy has prompted Congressional action to liberalize these features.

4. This month the Senate Committee reported out the Armed Forces pay bill with an amendment tying cost-of-living annuity adjustments to monthly price indexes, accelerating to a more current date the adjustment due 1 April 1966, and providing for more current payment of subsequent adjustments. Similar amendments to the Civil Service Retirement Act and the Foreign Service Retirement system are under active consideration by Congress, and the outlook for early passage of the Civil Service Retirement Act amendment is favorable. The case made for a change in this provision for civil service retirees applies with equal force to retirees under the Central Intelligence Agency system.

5. Should the Civil Service Retirement Act amendment be enacted, it is estimated that the initial increase in annuities will amount to 6.1 per cent and that will be payable to those who retire by 1 December 1965. Four and six-tenths per cent of this increase represents the per centum changes in cost of living since 1962. The remaining 1.5 per cent is a special adjustment. It is expected that this relatively large increase will induce a larger than normal voluntary retirement group by that date.

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6. It is recommended that the Deputy Director sign the attached letters to the Speaker of the House and the President of the Senate, proposing an amendment to Section 291 of the Central Intelligence Agency Retirement Act of 1964 which is parallel to the amendment now pending before Congress for civil service retirees. This recommendation has the concurrence of the CIA Retirement Board and the Director of Personnel.

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Legislative Counsel

Attachments